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NORTH LOUISIANA GOODWILL INDUSTRIES

REHABILITATION CENTER, INC.

SHREVEPORT, LOUISIANA

DECEMBER 31, 2001

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 6/5/02

NORTH LOUISIANA GOODWILL INDUSTRIES REHABILITATION CENTER, INC.

SHREVEPORT, LOUISIANA

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AUDITED FINANCIAL STATEMENTS

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March 21, 2002

To the Board of Directors
North Louisiana Goodwill Industries
Rehabilitation Center, Inc.
Shreveport, Louisiana

Independent Auditor's Report

We have audited the accompanying statement of financial position of North Louisiana Goodwill Industries Rehabilitation Center, Inc. at December 31, 2001, and the related statements of activities, functional expenses and cash flows for the year then ended. These financial statements are the responsibility of the Center's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of North Louisiana Goodwill Industries Rehabilitation Center, Inc. at December 31, 2001, and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated March 21, 2002 on our consideration of the Center's internal control structure and on its compliance with laws and regulations. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*, and should be read in conjunction with this report in considering the results of our audit.

Heard, McElroy & Vestal, LLP

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NORTH LOUISIANA GOODWILL INDUSTRIES REHABILITATION CENTER, INC.

STATEMENT OF FINANCIAL POSITION

AT DECEMBER 31, 2001

ASSETS	Unrestricted	Temporarily Restricted	2001 Total	2000 Summary Total
Current assets:				
Cash	616,323	-	616,323	206,478
Investments-Note 4	694,332	975,815	1,670,147	1,632,204
Accounts receivable-net of allowance for bad debts of $2,895 and $31,970	595,603	-	595,603	962,245
Accounts receivable-other	12,002	-	12,002	13,792
Inventory	514,681	-	514,681	410,518
Prepaid expenses and other	354,462	-	354,462	276,734
Total current assets	2,787,403	975,815	3,763,218	3,501,971
Fixed assets:				
Land, buildings and equipment, at cost less accumulated depreciation-Notes 5 and 9	2,911,214	-	2,911,214	2,887,255
Other assets:				
Security deposits	4,433	-	4,433	4,628
Total assets	5,703,050	975,815	6,678,865	6,393,854
LIABILITIES AND NET ASSETS				
Current liabilities:				
Accounts payable	418,505	-	418,505	433,426
Sales tax payable	46,976	-	46,976	37,054
Accrued payroll and withholdings	362,597	-	362,597	320,870
Other payables	20,878	-	20,878	-
Current portion of long-term debt-Note 9	52,047	-	52,047	49,231
Total current liabilities	901,003	-	901,003	840,581
Long-term liabilities:				
Long-term debt less portion classified as current-Note 9	340,105	-	340,105	194,806
Total liabilities	1,241,108	-	1,241,108	1,035,387
Net assets:				
Unrestricted	4,461,942		4,461,942	4,379,533
Temporarily restricted	-	975,815	975,815	978,934
Total net assets	4,461,942	975,815	5,437,757	5,358,467
Total liabilities and net assets	5,703,050	975,815	6,678,865	6,393,854

The accompanying notes to financial statements are an integral part of the financial statements.

NORTH LOUISIANA GOODWILL INDUSTRIES REHABILITATION CENTER, INC.

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED DECEMBER 31, 2001

	Unrestricted	Temporarily Restricted	2001 Total	2000 Summary Total
Public support and revenues:				
Public support:				
Donated goods-Note 10	3,703,603	-	3,703,603	3,438,311
United Way contributions	73,016	-	73,016	73,000
Other contributions	32,316	-	32,316	7,769
Total public support	3,808,935	-	3,808,935	3,519,080
Revenues:				
Sales:				
Sales of goods purchased	286,718	-	286,718	219,881
Less-cost of purchased goods	181,299	-	181,299	151,769
Gross profit	105,419	-	105,419	68,112
Sales of donated goods	2,118,947	-	2,118,947	2,097,060
Contract work	2,425,609	-	2,425,609	2,251,574
Training and work adjustment fees	228,834	-	228,834	313,582
Case management	55,108	-	55,108	137,550
Temporary services	617,911	-	617,911	762,726
Advanced program services	14,939	-	14,939	302,782
Investment return-Note 4	34,078	25,657	59,735	131,234
Other miscellaneous	15,470	-	15,470	6,151
Total revenues	5,616,315	25,657	5,641,972	6,070,771
Net assets released from restrictions-Note 3	28,776	(28,776)	-	-
Total public support, revenues, and reclassifications	9,454,026	(3,119)	9,450,907	9,589,851
Expenses:				
Production and sales	4,992,812	-	4,992,812	4,639,853
Training and work adjustment	1,288,699	-	1,288,699	1,687,459
Contracts	2,525,413	-	2,525,413	2,336,685
Management and general	564,693	-	564,693	555,708
Total expenses	9,371,617	-	9,371,617	9,219,705
Change in net assets	82,409	(3,119)	79,290	370,146
Net assets, beginning of year	4,379,533	978,934	5,358,467	4,988,321
Net assets-end of year	4,461,942	975,815	5,437,757	5,358,467

The accompanying notes to financial statements are an integral part of the financial statements.

NORTH LOUISIANA GOODWILL INDUSTRIES REHABILITATION CENTER, INC.

STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED DECEMBER 31, 2001

	Production and Sales	Training and Work Adjustment	Contracts
Salaries and wages	2,881,494	822,112	1,682,234
Employee health and retirement benefits-Note 6	98,572	55,795	347,673
Payroll taxes	320,694	108,422	187,635
Total salaries and related expenses	3,300,760	986,329	2,217,542
Professional fees and contract service	24,155	18,024	9,771
Supplies	132,025	15,788	80,472
Telephone and telegraph	44,793	24,075	18,359
Postage and shipping	11,874	2,148	1,473
Occupancy	812,025	75,475	61,894
Rental and maintenance of equipment	40,309	11,015	32,562
Printing and publications	100,270	13,023	6,100
Travel and agency vehicles	161,397	33,598	33,826
Conferences, conventions and meetings	6,245	7,200	1,703
Specific assistance to individuals	36,713	1,542	1,260
Membership dues and support payments	56,327	6,709	23,031
Awards and grants	2,159	2,550	217
Miscellaneous	97,891	33,815	15,882
Total other expenses before depreciation expense	1,526,183	244,962	286,550
Total expenses before depreciation expense	4,826,943	1,231,291	2,504,092
Depreciation expense	165,869	57,408	21,321
Total expenses	4,992,812	1,288,699	2,525,413

The accompanying notes to financial statements are an integral part of the financial statements.

Management and General	2001 Total	2000 Summary Total
306,590	5,692,430	5,618,301
42,917	544,957	507,138
23,365	640,116	660,847
372,872	6,877,503	6,786,286
18,662	70,612	107,937
11,260	239,545	252,241
27,218	114,445	115,848
1,220	16,715	17,220
28,773	978,167	856,460
5,514	89,400	86,148
1,639	121,032	140,378
9,884	238,705	298,796
-	15,148	26,904
10	39,525	19,792
2,411	88,478	74,008
-	4,926	8,067
22,363	169,951	155,959
128,954	2,186,649	2,159,758
501,826	9,064,152	8,946,044
62,867	307,465	273,661
564,693	9,371,617	9,219,705

NORTH LOUISIANA GOODWILL INDUSTRIES REHABILITATION CENTER, INC.

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2001

	Unrestricted	Temporarily Restricted	2001 Total	2000 Summary Total
Cash flows from operating activities:				
Change in net assets	82,409	(3,119)	79,290	370,146
Adjustments to reconcile change in net assets to net cash provided by operating activities:				
Bad debt expense	43,325	-	43,325	58,446
Unrealized loss on investments	6,286	3,119	9,405	6,086
Depreciation	307,465	-	307,465	273,661
(Increase) decrease in:				
Accounts receivable	323,317	-	323,317	(520,930)
Accounts receivable-other	1,790	-	1,790	(6,141)
Inventory	(104,163)	-	(104,163)	(89,660)
Prepaid expenses and other	(77,532)	-	(77,532)	(64,657)
Increase (decrease) in:				
Accounts payable	(14,921)	-	(14,921)	81,257
Sales tax payable	9,922	-	9,922	(6,795)
Accrued payroll and withholdings	41,726	-	41,726	44,562
Other payables	20,878	-	20,878	-
Total adjustments	558,093	3,119	561,212	(224,171)
Net cash provided by operating activities	640,502	-	640,502	145,975
Cash flows from investing activities:				
Capital purchases and improvements	(331,424)	-	(331,424)	(396,178)
Net sale (purchase) of investments	(47,348)	-	(47,348)	330,434
Net cash (used) by investing activities	(378,772)		(378,772)	(65,744)
Cash flows from financing activities:				
Proceeds from borrowings	200,000	-	200,000	-
Debt reduction	(51,885)	-	(51,885)	(46,406)
Net cash provided (used) by financing activities	148,115	-	148,115	(46,406)
Net increase in cash	409,845	-	409,845	33,825
Cash at beginning of the year	206,478	-	206,478	172,653
Cash at end of the year	616,323	-	616,323	206,478
Cash paid during the year for interest	16,754	-	16,754	12,882

The accompanying notes to financial statements are an integral part of the financial statements.

1. Nature of Business:
North Louisiana Goodwill Industries Rehabilitation Center, Inc. (the "Center") is a nonprofit, privately supported public service organization, exempt from income taxation under Section 501(c)(3) of the Internal Revenue Code. Revenues are derived primarily from the following:

(a) Sales of used clothing and other household materials donated by the public and refurbished by employees who have disabilities and/or are disadvantaged.

(b) Salvage sales.

(c) Sub-contract work for various types of companies by employees who have disabilities and/or are disadvantaged.

(d) Vocational rehabilitation fees through the State of Louisiana and workers compensation insurance companies.

(e) Training grants under welfare-to-work programs.

(f) Goodwill Temporary Services.

(g) United Way.

(h) Miscellaneous cash contributions.

The Center provides work opportunities and training for people who have disabilities and/or are disadvantaged, utilizing sales of reconditioned goods and contracted services to pay their wages.

2. Significant Accounting Policies:
Following is a summary of significant policies by the Center:

(a) Financial Statement Presentation:
In accordance with SFAS No. 117, "Financial Statements of Not-for-Profit Organizations," the Center reports information regarding its financial position and activities based on the absence or existence of donor-imposed restrictions, as follows:

Unrestricted Net Assets-Net assets that are not subject to donor-imposed stipulations. Some unrestricted net assets may be designated by the Board for specific purposes.

Temporarily Restricted Net Assets-Net assets subject to donor-imposed stipulations that may or will be met by actions of the Center, and/or by the passage of time.

Permanently Restricted Net Assets-Net assets subject to donor-imposed stipulations that they be maintained permanently by the Center. Generally, donors permit all or part of the income earned on these assets to be used for general or specific purposes. There were no permanently restricted net assets at December 31, 2001 or 2000.

2. Significant Accounting Policies: (Continued)

(b) Contributions:
In accordance with SFAS No. 116, "Accounting for Contributions Received and Contributions Made," contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions.

(c) Promises to Give:
Contributions are recognized when the donor makes a promise to give to the Center that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

The Center uses the allowance method to determine uncollectible unconditional promises receivable, when material. The allowance is based on prior years' experience and management's analysis of specific promises made.

(d) Contributed Goods and Services:
During the years ended December 31, 2001 and 2000, the value of contributed services meeting the requirements for recognition in the financial statements was not material and has not been recorded. Goods purchased for resale and donated goods are stated at the lower of cost or market on the first-in, first-out basis.

(e) Estimates:
The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

(f) Investments:
Under SFAS No. 124, "Accounting for Certain Investments Held by Not-for-Profit Organizations," investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the statement of financial position. Unrealized gains and losses are included in the change in net assets.

(g) Bad Debts:
The Center uses the allowance method to estimate uncollectible accounts receivable. The allowance is based on prior years' experience and management's analysis of specific receivables.

(h) Land, Buildings and Equipment:
Donations of property and equipment are recorded as support at their estimated fair value. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted support. Absent donor stipulations regarding how long those donated assets must be maintained, the Center reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Center reclassifies temporarily restricted net assets to unrestricted net assets at that time. Property and equipment are depreciated using the straight-line method. Buildings are assigned useful lives of forty years. Furniture and equipment generally are assigned ten year useful lives and vehicles are assigned three to five year useful lives.

2. Significant Accounting Policies: (Continued)

(i) Cash and Cash Equivalents:
For purposes of the statement of cash flows, the Center considers all cash on hand and demand deposits with financial institutions to be cash equivalents. Certain demand deposits include amounts that are "swept" overnight into daily investments in U.S. Treasury or Agency Securities.

(j) Prior Year Financial Information:
The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information is not intended to be a complete financial statement presentation.

(k) Advertising Costs:
Advertising costs are expensed as incurred. Such costs amounted to $83,764 and $100,814 for 2001 and 2000.

3. Restrictions on Assets:
Substantially all of the restrictions on assets relate to funds received by the Center as a testamentary legatee, and to funds donated to endow retirement benefits paid to a former executive director.

During 1992, the Center received $769,244 as its share of an estate. Under the terms of the will granting this legacy, the funds, including related earnings, are restricted to payment of costs associated with "The Unique Shoppe," an auxiliary retail outlet operated by the Center. Accordingly, the net assets represented by this legacy are presented as temporarily restricted assets, since restrictions on such assets lapse as the Center complies with the stipulations set forth in the will.

In addition, temporarily restricted net assets include certain investments used to generate income to help fund retirement benefits paid to a former executive director and his wife. These investments were funded by contributions solicited for this stated purpose; the investments will become available for use by the Center's general operations after the demise of the former executive director and his wife.

4. Investments:
Investments at December 31, 2001 and 2000 are summarized as follows:

	2001		
	Cost	Approximate Fair Value	Unrealized Appreciation (Depreciation)
U.S. Treasury and Agency debt securities	888,270	944,611	56,341
Corporate debt securities	175,313	183,965	8,652
Corporate equity securities	402,244	376,963	(25,281)
Government mutual funds	164,608	164,608	-
	1,630,435	1,670,147	39,712

	2000		
	Cost	Approximate Fair Value	Unrealized Appreciation (Depreciation)
U.S. Treasury and Agency debt securities	888,270	917,970	29,700
Corporate debt securities	175,313	176,962	1,649
Corporate equity securities	435,120	452,888	17,768
Government mutual funds	84,384	84,384	-
	1,583,087	1,632,204	49,117

4. Investments: (Continued)

A summary of investment return for each year follows:

	2001		
	Unrestricted	Temporarily Restricted	Total
Interest income	48,026	37,506	85,532
Net realized (loss)	(7,662)	(8,730)	(16,392)
Net unrealized (loss)	(6,286)	(3,119)	(9,405)
	34,078	25,657	59,735

	2000		
	Unrestricted	Temporarily Restricted	Total
Interest income	66,633	44,868	111,501
Net realized gain	13,677	12,142	25,819
Net unrealized gain (loss)	(24,086)	18,000	(6,086)
	56,224	75,010	131,234

5. Land, Building and Equipment:
Fixed assets and related accumulated depreciation at December 31, 2001 and 2000 are as follows:

	2001	2000
Buildings and improvements	2,801,725	2,055,528
Equipment	1,281,257	2,291,782
Vehicles	143,448	140,986
Total depreciable assets	4,226,430	4,488,296
Accumulated depreciation	(2,132,484)	(2,191,041)
Book value of depreciable assets	2,093,946	2,297,255
Land	817,268	590,000
Book value of fixed assets	2,911,214	2,887,255

6. Tax Deferred Annuities:
The Center has available to the employees tax deferred annuity contracts which are administered by several investment companies. The employees may, at their option, elect to take a reduction in salary to invest in the tax deferred annuity contracts. The Center does not contribute to the tax deferred annuity contracts.

7. Rent:
The Center rents various store facilities to serve as retail outlets for its household goods and other purposes. The Center has rental agreements for store locations in Monroe, West Monroe, Ruston, Minden, Bossier City, Shreve City, The Unique Shoppe in Shreveport (each for 60 months), and Alexandria training and employment office (for 36 months). The Lakeshore Drive store rental agreement is renewable by the month. All rental agreements are noncapitalizable. Rent expense for 2001 and 2000 was $409,553 and $364,581.

7. Rent: (Continued)

The Center also has agreements to lease several trucks. These lease agreements are accounted for as operating leases, and provide for lease terms of five years at approximate rentals of $10,900 per year, per vehicle. Vehicle rent expense for 2001 and 2000 was $89,602 and $88,400.

A summary of future minimum rental payments under noncancelable leases for all operating leases for the next five years and in aggregate, is as follows:

Year Ended December 31	Amount
2002	412,314
2003	349,744
2004	254,355
2005	130,957
2006	31,100
Thereafter	-
	1,178,470

8. Commitments:
The Center entered into an agreement to provide supplemental retirement and medical benefits to its former executive director upon his retirement in January 1986. These benefits amount to approximately $18,000 per year for the remainder of the lives of the former director and his wife. In addition, the Center is committed to pay certain medical benefits to certain former employees over the next five years. These benefits approximate $30,000 over the next five years.

9. Long-Term Debt:
Listed below is a schedule of long-term debt at December 31, 2001 and 2000:

Due To	Terms	2001	2000
U.S. Small Business Administration	$1,800/month including interest of 3%, secured by real estate and building located on West 70th Street in Shreveport, Louisiana	118,957	136,758
AmSouth Bank	$3,165/month including interest of 7%, secured by real estate and building located on Jackson Street in Alexandria, Louisiana	73,195	107,279
* Hibernia National Bank	$225,000 open line of credit; interest at Wall Street Journal prime, payable monthly, principal due upon demand; secured by real estate in Pineville, Louisiana	200,000	-
		392,152	244,037
Less-portion classified as current		52,047	49,231
Notes payable-long-term		340,105	194,806

9. Long-Term Debt: (Continued)

* The Center entered into an agreement, dated February 1, 2002, for the issuance of $1,500,000 revenue bonds on its behalf by the Rapides Finance Authority at 5.25%, maturing in 2017. As required by state law, this agreement was approved by the Louisiana State Bond Commission. The bonds were issued for the purpose of providing funds to acquire property and construct an outlet facility located in Pineville, Louisiana. The registered owner of the bonds is Bank One, N.A. The Center intends to use $200,000 of the bond proceeds to refinance the open line of credit with Hibernia National Bank; accordingly, the balance on this credit is excluded from current liabilities.

The approximate book value of collateral at December 31, 2001 was $2,252,000.

Maturities of long-term debt for the next five years are as follows:

2002	52,047
2003	55,044
2004	22,644
2005	20,005
2006	20,613
Thereafter	221,799
	392,152

Total interest expense for 2001 and 2000 was $18,977 and $15,558.

10. Donated Goods:
Effective January 1, 1996, in conformity with SFAS No. 116, "Accounting for Contributions Made and Contributions Received," the Center began recognizing donated goods as revenue when received. During 2001, contributed merchandise with an approximate fair value of $3,591,000 was recognized as contribution revenue. This donated goods merchandise requires program related expenses and processes accomplished by people with disabilities and other disadvantaging conditions before it reaches the point of sale.

11. Conditional Promises:
Conditional promises consist of the unfunded portions of approved governmental awards, either currently in effect or approved for commencement after December 31, 2001. Future funding of such awards is conditioned upon the Center's operation of certain programs, incurrence of certain costs, and meeting certain matching requirements. Because such awards represent conditional promises to the Center, they have not been recognized in the financial statements at December 31, 2001. Such conditional promises amounted to approximately $399,000 at December 31, 2001. Approximately $201,000 expires in 2002; substantially all of the remainder expires in 2003.

OTHER REPORTS

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March 21, 2002

To the Board of Directors
North Louisiana Goodwill Industries
Rehabilitation Center, Inc.
Shreveport, Louisiana

Report on Compliance and on Internal Control Over Financial Reporting
Based on an Audit of Financial Statements Performed in
Accordance with *Government Auditing Standards*

We have audited the financial statements of North Louisiana Goodwill Industries Rehabilitation Center, Inc., as of and for the year ended December 31, 2001, and have issued our report thereon dated March 21, 2002. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance
As part of obtaining reasonable assurance about whether the Center's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting
In planning and performing our audit, we considered the Center's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Center's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying schedule of findings and questioned costs as items 01-1 through 01-3.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, none is considered a material weakness.

This report is intended solely for the information and use of the audit committee, management, others within the organization and is not intended to be and should not be used by anyone other than these specified parties.

Heard, McElroy + Vestal, LLP

NORTH LOUISIANA GOODWILL INDUSTRIES REHABILITATION CENTER, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED DECEMBER 31, 2001

A. Summary of Audit Results

1. The auditor's report expresses an unqualified opinion on the financial statements of North Louisiana Goodwill Industries Rehabilitation Center, Inc.

2. Reportable conditions relating to the audit of the financial statements are reported; none is considered a material weakness.

3. No instances of noncompliance material to the financial statements of North Louisiana Goodwill Industries Rehabilitation Center, Inc. were disclosed during the audit.

4. No separate reporting for major federal award programs was required.

B. Findings - Financial Statement Audit

01-1 Store Credit and Gift Certificate Liability Accounts

Goodwill uses store credit and gift certificate accounts on its general ledger to account for its liability to customers for in-store credits and gift certificates sold. Entries to these accounts are generated by the stores' cash register activity. However, no detailed log is maintained that tracks outstanding credits and gift certificate balances and reconciles them to the general ledger, as required by sound internal control practices, which could result in the liability balances being misstated.

Accordingly, we recommend that logs be maintained in the accounting department by an individual who has no access to cash. The logs could be maintained on a chronological basis, showing store credits and gift certificates issued and redeemed, the transaction date, and customer name. Gift certificates also should be controlled by their serial numbers. The end of month balance on each log should be reconciled to the applicable general ledger account, and reviewed by an independent individual.

01-2 NISH Trip Advances

Goodwill uses this general ledger account to account for travel advances made to personnel attending NISH conventions during the year. Normally, amounts advanced are cleared to expense, and any unused advances are credited to this account, as required by generally accepted accounting principles. We noted during our audit that this account was debited several times during the year, but was not relieved of any of its charges or its beginning balance. This condition appears to result from the lack of a final accounting of travel expenses by Goodwill personnel.

Therefore, we suggest that Goodwill enforce its personnel policy of accounting for employer-sponsored trip expenses, and that this account be reconciled monthly to the actual amount of advances outstanding. Any amounts that are not collectible should be expensed.

01-3 Shoulders Restricted Fund

Temporarily restricted net assets includes $82,705 for the Shoulders Restricted Fund to help generate income to fund retirement benefits paid to a former executive director and his spouse. During the year, the Board approved an addition of $217,295 to this fund; this amount was added to the Shoulders Restricted Fund account on the general ledger.

Generally accepted accounting principles for nonprofit organizations make a distinction between restrictions and designations. Only those uses of resources specified by donors outside the organization qualify as restrictions. On the other hand, resources specified for a particular purpose by the organization's board become designated. They are not included in restricted resources because the organization may undo the designation at any time. Accordingly, we recommend that the $217,295 approved by Goodwill's board, referred to above, be recorded in a separate general ledger account for board-designated funds.

NORTH LOUISIANA GOODWILL INDUSTRIES REHABILITATION CENTER, INC.

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FOR THE YEAR ENDED DECEMBER 31, 2001

There were no findings relative to the prior year audit.

NORTH LOUISIANA GOODWILL INDUSTRIES REHABILITATION CENTER, INC.

MANAGEMENT'S CORRECTIVE ACTION PLAN

FOR THE YEAR ENDED DECEMBER 31, 2001

01-1 Store Credit and Gift Certificate Liability Accounts

We concur with the finding, and are maintaining appropriate logs separately for store credit and gift certificate liability accounts, as suggested and described in the finding. Monthly reconciliations of amounts per the logs and per the general ledger accounts will be performed.

01-2 NISH Trip Advances

We concur with the finding, and are reviewing the amounts in this account to determine those advance amounts that should be expensed. Appropriate procedures are being implemented to timely account for trip advances against the related expense reports, and required adjustments made to the general ledger.

01-3 Shoulders Restricted Fund

The amount designated by the board will be reclassified from the restricted fund to a separate board-designated fund in the general ledger.